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C O N F I D E N T I A L TEGUCIGALPA 000600

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E.O. 12958: DECL: 03/17/2015

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SUBJECT: HONDURAN LIBERAL PARTY PRESIDENTIAL CANDIDATE MEL  
ZELAYA SUPPORTS FULL IMPLEMENTATION OF CURRENT GOH  
AGREEMENT WITH IMF

Classified By: Francisco L. Palmieri, reasons 1.4 (b) and (d).

1. (C) Summary: Liberal Party presidential candidate Mel Zelaya gave his concurrence to the GOH's current IMF program in a "secret" meeting with IMF's Vice President Anoop Singh, President Ricard Maduro, and his National Party opponent President of Congress Pepe Lobo in Miami last week. Zelaya told PolCouns that, in doing so, he explicitly rejected pursuing any "populist" political posturing, so popular in other parts of Latin America. Zelaya said he wanted to avoid creating populist expectations that could undercut his own mandate to govern once elected. He also hopes, by signaling his support for current economic policy goals, he can reassure a suspicious private sector about their prospects under his government. END SUMMARY.

2. (C) Liberal Party presidential candidate Mel Zelaya gave his concurrence to the GOH's current IMF program in a "secret" meeting with IMF's VP Anoop Singh, President Maduro, and his National Party opponent Pepe Lobo in Miami during the week of March 8-12. Zelaya told PolCouns March 12 that, his reasons for giving his support to the current agreement were directly attributable to his agreement with the underlying economic reforms and policies it contains. He said, since he expects to win the presidency in November, full implementation of the agreement during this election year would ensure that he would inherit a strong public sector balance sheet. He wants a strong financial situation in place when he takes office. He stressed that in return for his concurrence, the IMF and President Maduro committed to adhere strictly to the agreement's strict fiscal spending targets and avoid traditional election year spending booms.

3. (C) Zelaya explained that (the debt forgiveness that accompanies reaching the completion point of the Highly Indebted Poor Countries (HIPC) initiative) completion was a critical national economic priority that transcended partisan politics. He added that he explicitly rejected pursuing a "populist" political posturing, so popular in other parts of Latin America. Zelaya said he wanted to avoid creating populist expectations that could undercut his own mandate to govern once elected. He also stated that his own plans for spending to alleviate poverty and to improve education required a balance in GOH spending and revenue policies. Lastly, he said he wanted to send a message to the private sector that there would be economic policy continuity, when he is elected. While avoiding specific details, he said his economic program would be consistent with the Maduro Government's current plans. He added such continuity between presidential administrations would represent a significant economic planning accomplishment for Honduras.

4. (C) Zelaya said he was not concerned about removing the IMF agreement as an issue in the upcoming political campaign. He pointed out that he would still vigorously attack the current Nationalist government's economic policies on three fronts. His key three issues will be "prices" (the high cost of living for Hondurans, especially the price of gasoline), taxes, and bureaucratic inefficiency. He expects to let interest groups, such as teachers and transportation workers, lead the attack against the Nationalists.

5. (C) Comment: Zelaya expects the IMF agreement's strict fiscal strictures to prevent the GOH from spending wildly in its final year in support of Pepe Lobo's campaign. If adhered to, such restrained spending could limit his opponent's ability to "buy" support with government projects during the campaign. Zelaya also hopes, by signaling his support for current economic policy goals, he can reassure the private sector about their prospects under his government. He apparently believes that the current economic conditions still favor his campaign, which will ask the voters to throw out the Nationalists in favor of his Liberal party. End Comment.  
Palmer